

# ***City Council Meeting Minutes***

**September 26, 2017  
City Hall, Council Chambers  
749 Main Street  
7:00 PM**

**Call to Order** – Mayor Muckle called the meeting to order at 6:00 p.m.

**City Council:**      ***Mayor Robert Muckle  
Mayor Pro Tem Jeff Lipton  
Councilmember Jay Keany  
Councilmember Chris Leh  
Councilmember Susan Loo  
Councilmember Dennis Maloney  
Councilmember Ashley Stolzmann***

**Staff Present:**    ***Heather Balser, Interim City Manager  
Kevin Watson, Finance Director  
Joe Stevens, Director of Parks & Recreation  
Aaron DeJong, Director of Economic Development  
Kurt Kowar, Director of Public Works  
Rob Zuccaro, Director of Planning & Building Safety  
Chris Neves, Director of Information Technology  
Beth Barrett, Director of Library & Museum Services  
Dave Hayes, Police Chief  
Kathleen Hix, Director of Human Resources  
Meredyth Muth, City Clerk***

**Others Present:**    ***Sam Light, City Attorney***

## **PLEDGE OF ALLEGIANCE**

All rose for the pledge of allegiance.

## **APPROVAL OF AGENDA**

Mayor Muckle called for changes to the agenda and hearing none, moved to approve the agenda, seconded by Councilmember Keany. All were in favor.

**DISCUSSION/DIRECTION/ACTION – CITY MANAGER’S PROPOSED  
2018 BUDGET AND LONG-TERM FINANCIAL PLAN FOR 2018 – 2021 –  
SET PUBLIC HEARING 10/17/17**

Mayor Muckle introduced the item noting the Council will use this meeting to give staff direction on the proposed budget and long-term financial plan. He asked Council to provide staff with any information they want to see in future budget meetings. The public hearing will be on October 17, 2017.

Interim City Manager Balser stated this is the second year of the biennial budget process with some adjustments for 2018 that staff is recommending. This includes the long-term plan for revenue and expenditures through 2021. Staff is looking for direction on what Council may want to see at the public hearing.

Director Watson stated this presentation will cover the following:

- Revenue projections for 2017 through 2021
- Operating expenditure estimates and targets for 2017 through 2021
- An update to the Five-year Capital Improvements Plan
- A discussion of transfers between funds
- Fund forecasts generated by the Long-Term Financial Model
- Alternative Scenarios from the Finance Committee

***Revenue Projections***

Director Watson stated revenue projections have been increased to 10% for 2017 and 2.5% on top of that in 2018. Revenues from the Recreation Center Sales tax have been included. Planning Department has updated building revenue projections. Sales tax revenue in outlying years is up, but adjusted for inflation it feels like less. Building construction revenue is always volatile and difficult to project.

Watson discussed the preliminary net assessed valuation for properties in town. This is the City’s total valuation plus the amount that is captured by the tax increment financing district. The net assessed valuation is the assessed valuation calculated on the mil levy to give the city its property tax revenue. It is projected at 18.1%, but is preliminary and could change significantly by the final number in November. He noted the impact on residential property with the projected increase in actual value and changes in the residential assessment rate and mil levy.

***Operating Expenditure Targets***

Director Watson highlighted updated expenditure targets. He noted increases in water and wastewater parts, repairs and maintenance and that specific buildings have been added to the program budget.

He reviewed wage and benefit projections including new positions, changes in staffing, market salary adjustments, merit wage increases, and increased health care costs.

2018 operational additions include increased Recreation Center costs for part of 2018 (restricted to the Rec Center for the new construction) and various projects.

### ***Five-Year Capital Improvements Plan (CIP) Update***

Four new projects were added for 2018; Planning furniture and fixtures, Library building improvements, Museum Campus building improvements, and downtown patios. The CIP has been updated with the latest information.

He noted the recommended cuts in the 2018 budget to cover the recreation center project cost shortfall as presented in the packet.

### ***Interfund Transfers***

Beginning in 2019, staff is proposing new transfers to support the Open Space and Parks Fund.

- General Fund will make an annual transfer to the Open Space & Parks Fund calculated as total Open Space & Parks Fund operational expenditures, less all sales and use tax revenue, and less all other non-capital, recurring revenue (exclusive of interest earning)
- Capital Projects Fund will make an annual transfer to the Open Space & Parks Fund calculated as total Open Space & Parks Fund capital expenditures less all capital-related revenue, such as one time grants, contributions, and land dedication fees, and less any transfers from the Impact Fee Fund.

### ***Fund Forecasts***

Director Watson reviewed the following forecasts:

- The **General Fund** reserves are expected to increase by \$1.5 million, assuming a \$707,000 turn-back. The projected ending fund balance of \$8.2 million equals 41% of net expenditures, well above the targeted level of 20%.
- The **Open Space & Parks Fund** reserves are projected to decline by \$1.2 million, even with the \$500,000 transfer from the General Fund. The projected ending fund balance of \$493,000 is above the minimum fund balance, but below the targeted fund balance, which is discussed later in the document.
- The **Capital Project Fund** reserves are projected to decline during 2018, but should remain around \$2 million.

- The **Recreation Center Construction Fund** is projected to spend down all the bond proceeds by the end of 2018.
- The **Library Debt Service Fund** is projected to completely defease the 2004 General Obligation Library Bonds during 2018.
- The **Consolidated Utility Fund (Water, Wastewater, and Storm Water Funds)** reserves are projected to increase by \$2.0 million to \$18.9 million at the end of 2018. Ending reserves for all the individual utility funds are projected to remain in compliance with the City's Reserve Policy.
- The **Golf Course Fund** is projected to increase its reserves by approximately \$107,000 during 2018.

All of the major operating funds are in compliance with the reserve policy except the Open Space & Parks Fund which is in compliance with the minimum balance only. Director Watson reviewed some scenarios to get the Open Space & Parks Fund balance higher.

Open Space targeted fund balance possible alternatives:

- Alternative 1: The targeted fund balance is defined as the minimum fund balance plus cost of acquiring the three highest priority parcels (current policy). This calculation defines the current target at \$1.3 million
- Alternative 2: The targeted fund balance is defined as the minimum fund balance plus cost of acquiring the largest remaining priority candidate parcel. This calculation defines the current target at \$2.2 million
- Alternative 3: The concept of a targeted fund balance is removed altogether and the Open Space & Parks Fund operates only under a minimum fund balance policy. The minimum fund balance is approximately \$365,000 for 2018

Watson reviewed the budget calendar and noted the public hearing on the budget will be set for October 17, 2017.

Mayor Muckle noted there were members of the public who wished to comment on the recreation center.

### **Public Comments**

Lisa Norgard, 729 Ponderosa Park, asked the council to keep in mind the recreation center expansion and to build what the voters voted for.

Michael Menaker, 1827 West Choke Cherry Drive, agreed with Ms. Norgard. As a member of the Recreation Center Task Force, he urged Council to make sure to build what was promised the voters. Consensus was built around the plan presented and he wants to deliver that plan. Staff's budget recommendations are a good starting point. Many people voted on this and there is a need to deliver what was promised.

### Council Questions

Councilmember Maloney stated he would like to see enterprise budgets for the enterprise funds. He asked about the assessment numbers and the mil levy and how much of an increase in funding will actually be for the City. He wanted to know what the impact is for the City with such a large assessment. Director Watson stated the increase will be roughly 6-7% on a residential unit with the mil levy as projected.

Councilmember Maloney asked if the new operational additions are continuing or one-time expenses. He would like those differentiated.

Councilmember Maloney asked if the golf course expenses do not include water costs for 2017. Director Watson said yes, that is not included for this year as the golf course is only using raw water. That cost is included in the projections for 2018.

Mayor Pro Tem Lipton asked about the recreation center sales tax. The projection for its full implementation looks much higher than anticipated. What are the plans for the money not used for operations and maintenance. Can it be used in other ways such as making up for the shortfall? Director Watson noted we cannot exceed the amount in the TABOR notice so either have to ask voters to allow us to keep it or refund it for the first year. After that all the funds will be restricted to recreation operations and maintenance. Mayor Pro Tem Lipton noted for 2019 this should be discussed so we don't just increase costs to use it.

Mayor Pro Tem Lipton would like to discuss the open space funding to get to the targeted reserves.

Councilmember Stolzmann noted the key indicators and appreciated the Development Review Subprogram shows a reduction in average review time. She would like to see targets in the key indicators. She noted the Historic Preservation efficiency measure of ratio of grant funds awarded to administrative costs and was concerned about not using funding for increasing grants and reducing administrative costs.

She noted the Code Enforcement effectiveness measures, cases brought into voluntary compliance out of all the cases initiated, and the numbers seem too identical. There are a lot of comments from the public on code issues and there is a need to communicate more with the public.

She noted Adult Activities efficiency measures cost recovery target is 100% and it has gone from 75-95%. Will there be adjustments to fees or anything to correct that?

Seniors program shows good feedback on participation and offerings, but participation number looks low.

Mayor Pro Tem Lipton asked about Rec Center Sales Tax Revenue, if we made it and enterprise would it count toward the general fund limitation. Director Watson said then the revenue would be moved over to the enterprise fund as well as expenditures. To be an enterprise under TABOR, there are limits to revenue that is not enterprise revenue. Mayor Pro Tem Lipton would like more conversation of what the implications would be of making the recreation center an enterprise fund. Council member Keany asked if that would include golf. Mayor Pro Tem Lipton said he wouldn't rule that out.

Councilmember Leh noted Human Resources shows an increase over time in citywide employees but noticed the training classes decreased significantly. He asked if there were any plans to change that or is that an effort to do things differently. Director Hix noted the cost of training continues to increase but we only have a budget of \$10,000 per year so offer fewer classes.

Councilmember Leh asked about legal support subprogram and the new metric of legal memoranda. He discouraged the use of that measure. It is not a good measure of work load, too specific a kind of document. He suggested breaking down the city legal work into substantive areas such as, water, urban renewal, land use, risk management. What work load is in each area.

Council member Leh noted the Municipal Court sub program and his desire to see work load, case load broken down into different kinds of hearings.

Council member Keany asked for clarification. Council member Leh said a breakdown on Court appearances on the way to trial, code enforcement hearings; different types of hearings. Also, trends in the court.

Mayor Muckle supports most of the recommended budget. He asked Council member Stolzmann to summarize the Open Space and Parks fund discussion by the Finance Committee.

## OPEN SPACE

Councilmember Stolzmann reviewed the Finance Committee's discussion of the open space funding. Three alternatives were presented for a targeted balance of the Open Space and Parks Fund and the committee asked for a fourth alternative noted in the discussion of inter-fund transfers. That alternative would be a way of stepping back and saying 2005 voters allowed the tax to be spent differently but the policy was not really changed until the downturn in 2007. Alternative 4 looks at how to rebuild back to pre-

downturn levels of General Fund funding. New parks and open space expenses would come out of Open Space and Parks tax. It would just be a different way of transferring money from the General fund into the Open Space Fund.

Mayor Muckle noted there was support from the Finance Committee of the general idea of funding recurring operational costs from the General Fund and capital and acquisition from the tax funds.

Councilmember Stolzmann suggested setting a policy that there is a recurring cost established so it is predictable.

Councilmember Loo asked what the rationale is for leaving over one million dollars fund balance just sitting there. Councilmember Stolzmann said this maintains the ability to acquire property and rebuild to a higher level of service. Councilmember Loo felt it appears the fund balance is not being used and there are not any current acquisition possibilities.

Mayor Muckle said the idea is to not just let the balance grow but to provide a higher level of service.

Councilmember Maloney noted all the funding scenarios have merit but the idea behind the fourth one is to make it more predictable; to know what the commitment is each year for planning purposes.

Councilmember Loo asked about building the fund balance to do more but how did that affect the concept of pitting capital project against capital project.

Councilmember Stolzmann felt scenario one was the best concept of capital projects competing against one another. Alternative four would make transfers from the General Fund a recurring expenditure so you would know the staffing numbers, then use the Open Space & Parks Fund for open space operations and capital projects for open space and parks.

Director Watson stated current policy on the targeted fund balance is alternative 1, minimum fund balance plus the cost of acquiring three properties so we can't reach the target line. The alternative scenario transfers \$800,000 more into the Open Space & Parks Fund from the General Fund for 1920 and 1921.

Mayor Muckle asked what fund balance does Council want to maintain for acquisition. Mayor Muckle suggested enough to buy the largest parcel on the wish list.

Councilmember Loo noted the City has enough in the General Fund to help purchase a property if there is a need to.

Councilmember Keany said if it is needed we could also borrow from enterprise funds to make an acquisition. He preferred that to letting money sit in the fund unused when there are projects to spend it on. He liked alternative 3 and would like to know what is on the acquisition wish list.

Mayor Pro Tem Lipton generally agreed with Councilmember Keany. This fund is like a piggybank; the issue is how much we want in the piggybank and how we get there. We need flexibility for projects each year but also need to protect us from not having the funds should a property become available.

Councilmember Maloney agreed there is a need for a reasonable fund balance, but that is long term, we don't need cash today, and have other ways to fund a purchase if needed. He didn't feel the need to have money just sitting there. These alternatives are mixing the concept of putting aside money for acquisition and the operating piece. They should be separated.

Councilmember Stolzmann agreed. She supported #3 with no specific balance as long as it is clear there is support for future acquisitions. She prefers the fourth scenario; don't want to pay for all of parks out of tax, that was not the intent of the tax. Work to restore parks operations to 2007 levels.

Mayor Muckle supported option 4. He would like some money set aside for acquisition if a downturn happens so money would be available on short notice.

Mayor Pro Tem Lipton agreed with the Mayor, some money in piggybank is needed. He suggested a target of 50% of whatever the number is and making a down payment this year.

Director Watson noted that depending on the targeted fund balance, the amounts are \$1.3 million with the current policy to reach the target and \$2.2 million for the alternative for the largest single parcel. Without a target, the minimum is \$365,000.

Mayor Muckle stated his goal is to both build fund reserves and increase operations and maintenance. He liked alternative 4 so more can be spent on management and projects.

Councilmember Maloney noted #4 is an attempt to create a policy regarding how we transfer money from the General Fund to Open Space & Parks Fund for operational expenses. The other scenarios are to set a policy around fund balances.

Councilmember Stolzmann said the intent of #4 was to have the transfers cover operational expenses from the General Fund and then within the Open Space & Parks Fund pay for capital projects with the tax.



Finance Director Watson and the Council discussed the scenarios and Council member Leh suggested a depiction of the transfers and listing the reasons would help.

Mayor Muckle asked for another alternative showing the capital for open space is coming from the Open Space & Parks Fund and not as transfers from the Capital Fund plus the one where the capital projects are coming from money from the Capital Fund. How does that affect the funds in the next five years?

Interim City Manager Balser suggested Finance Director Watson prepare the scenarios and it be presented at the October 10, 2017 special meeting. Members agreed.

#### Recreation Center Shortfall

Mayor Muckle supports the staff proposal for funding the gap.

Councilmember Maloney wanted to deliver the project as scoped out. The proposed list is good; he prefers more cuts before a general fund transfer. The fall back should be the general fund transfer. He would like to see operational savings for the next 6-8 months to pay for this.

Interim City Manager Balser noted the turn back would be assumed in the general fund reserve.

Mayor Pro Tem Lipton noted we may not know full cost until 2019, until final payments are made; there are still a lot of moving parts, there is a need to be flexible and conservative. He suggested Council accept these cuts and look for other options.

Mayor Muckle asked if there are things in the construction funding that could be considered operations and maintenance. Director Stevens could look at the FF&E to see if it could be tied to construction. We will need some of the operations and maintenance money to accrue to pay for maintenance over time. We won't contract for the Mac gym until find out about the DOLA grant.

Councilmember Stolzmann suggested these other projects for cuts to fund the rec center: Highway 42 multiuse underpass timing, can it really be done in 2018; costs for the north underpass, is that enough funding and could it actually be completed in 2018. Director Kowar stated 2018 is going to be tough for completion, maybe late 2018, but it needs to be budgeted to go under contract; could push to 2019 after checking with funding partners. Costs are hard to say, \$1.5M could be low, but we are unsure by how much.

Council member Loo wondered if pushing construction on the underpass out would just increase costs. Director Kowar thought that was likely. Mayor Muckle noted this underpass is a high priority and he doesn't want to delay unless we have to.

Councilmember Stolzmann agreed, but wanted to see if building in 2018 was feasible. Director Kowar noted not all costs are ours, there is sharing with Boulder County.

Councilmember Stolzmann supported removal of the parks and open space signs as she has gotten mixed reviews on the signs; this could save \$30,000 to put towards Rec Center.

Councilmember Stolzmann asked about the multipurpose field, is this just design. Director Stevens stated yes, it is just design, not construction.

Councilmember Stolzmann asked about the trail projects removal and would the removal be the whole \$325K or just \$157K. Interim City Manager Balser stated this could be increased to include what has not been completed in 2017.

Director Watson cautioned we might not be able to use the Open Space & Parks Fund for the recreation center, but can increase the general fund transfer.

Mayor Pro Tem Lipton asked about the operational additions of \$250,000 in operations and maintenance for the rec center. Director Watson stated this is for additional costs for the new center in 2018 paid from the new sales tax. Mayor Pro Tem Lipton felt perhaps we can make some cuts here.

Mayor Pro Tem Lipton asked what the total wage and benefit cost is in the proposal. Director Watson stated it is about one million dollars increase in total compensation from 2017 to 2018. Mayor Pro Tem Lipton questioned whether that would be sustainable in out years.

Councilmember Keany stated the need to find the cuts to build the recreation center as promised and the need to make budget cuts to get that done.

Councilmember Leh agreed with Councilmember Keany. The less we have to transfer from the general fund the better. Look at capital projects; look at bigger cuts, perhaps putting off some of the street reconstruction for a year might be helpful.

Councilmember Loo and Mayor Muckle stated that is not an option.

Mayor Muckle recommended taking the staff suggestion for cuts and could further discuss the CIP list if needed. Could take \$1M from general fund reserves; that is what reserves are for and that is a reasonable strategy.

Councilmember Loo agreed with Mayor Muckle. Use the staff recommendation. This is why we have a targeted reserve over the minimum reserve.

Councilmember Stolzmann felt it important to clarify the CIP list and numbers to see if more cuts are needed.

There was Council consensus to go with the staff recommendation.

Revenue assumptions:

Councilmember Loo asked if we should lower the mil levy or leave it as is.

Councilmember Stolzmann stated the increase is really only a 6.8% increase and the cost of operating expenditures is at 8% so that convinced her it was reasonable.

Mayor Muckle said the Finance Committee supports leaving the mil levy as is.

Councilmember Leh asked why we bumped up projected sales tax revenue. Director Watson stated sales tax is trending up 8% plus audit revenue. We originally had 0% increase for 2018 but felt that was too conservative so added 2.5% for 2018. Mayor Muckle noted this is based on actual collections.

Mayor Muckle noted the October 10 meeting will focus on open space. If councilmembers have other topics he asked they contact staff.

### **ADJOURN**

Members adjourned the special meeting at 8:15 pm.

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Robert P. Muckle, Mayor

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Meredyth Muth, City Clerk